



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

March 21, 2014

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To: Supervisor Don Knabe, Chairman
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From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

PRESIDENT'S PROPOSED FEDERAL FISCAL YEAR 2015 BUDGET

Executive Summary

This memorandum is to provide the Board with a report on the President's proposed \$3.9 trillion budget for Federal Fiscal Year (FFY) 2015, which includes many proposals that he cited in his State of the Union Address or proposed last year.

Similar to last year, the President is proposing a universal pre-school initiative, a one-year extension of the Affordable Care Act's expiring Medicaid Disproportionate Share Hospital cut, and the consolidation of the Federal Emergency Management Agency's state and local programs, such as the State Homeland Security Grant and Urban Area Security Initiative Grant, into a new National Preparedness Grant Program. Most discretionary programs through which the County receives funding would be funded at or near their current funding levels though the President again is proposing to eliminate the State Criminal Alien Assistance Program and significantly cut the Community Services Block Grant and Low Income Home Energy Assistance Program.

The net overall fiscal impact on the County of the President's Proposed FFY 2015 Budget, however, would be relatively small. This is because it does not propose changes that would significantly affect overall funding for mandatory (entitlement) programs, such as Medicaid, Temporary Assistance for Needy Families (TANF), Title IV-E Foster Care and Adoption Assistance, and Supplemental Nutrition Assistance Program (SNAP) through which the County receives most of its Federal revenue.

"To Enrich Lives Through Effective And Caring Service"

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Budget Overview

The President's proposed \$3.9 trillion budget for FFY 2015 largely reflects proposals and priorities that were cited in this year's State of the Union Address or are similar to those included in his past budget proposals. The President's FFY 2015 Budget conforms to the \$1.014 trillion discretionary spending cap for FFY 2015, which was set under the Bipartisan Budget Act of 2013, except for a \$56 billion supplemental budget request, called the "Opportunity, Growth and Security Initiative." Congressional appropriators from both parties already have indicated that they will adhere to the \$1.014 trillion spending limit and not accept the \$56 billion supplemental request.

The President's Budget does not propose any significant reductions in mandatory programs, such as Medicaid, TANF, Title IV-E Foster Care, Adoption Assistance, and SNAP through which the County receives most of its overall funding. Unsurprisingly, the President's Budget assumes no changes to the Affordable Care Act's health coverage expansions and assumes that the Senate-passed comprehensive immigration reform bill (S. 744) will be enacted. Moreover, the proposed FFY 2015 funding levels for most of the discretionary programs through which the County receives funding would be funded at or near their FFY 2014 funding levels. The net overall fiscal impact on the County of the President's FFY 2015 Budget, therefore, would be relatively small.

Major Budget Proposals of County Interest

Similar to last year, the President proposes to eliminate or significantly reduce funding for the following programs:

State Criminal Alien Assistance Program (SCAAP) funding would be eliminated in FFY 2015. In FFY 2014, \$180 million was appropriated for SCAAP. The County's SCAAP revenue has dropped from an all-time high of \$34.0 million in FFY 2002 to an all-time low of \$5.7 million in FFY 2013.

Community Services Block Grant funding would be cut from \$674 million in FFY 2014 to \$350 million in FFY 2015.

Low-Income Home Energy Assistance Program funding would be cut by \$675 million to \$2.75 billion in FFY 2015.

Community Development Block Grant funding would be reduced from \$3.03 billion to \$2.80 billion in FFY 2015.

The President proposes to significantly increase funding in FFY 2015 for the following programs:

Section 8 Tenant-Based Rental Assistance: The President proposes to increase Section 8 Tenant-Based Rental Assistance from \$17.366 billion to \$18.007 billion in FFY 2015 in order to fund the renewal of existing vouchers and restore funding from the reduced FFY 2013 sequestration levels. It also would increase funding for Administrative Fees from \$1.5 billion to more than \$1.7 billion in FFY 2015.

Homeless Assistance Grants: The President proposes to increase Homeless Assistance Grant funding from approximately \$2.1 billion to \$2.4 billion in FFY 2015.

Child Care and Development Fund: The President proposes to increase child care entitlement funding for states by \$750 million to \$3.667 billion in FFY 2015.

Other budget proposals of County interest include:

TANF Pathways to Jobs Initiative: A new TANF Pathway to Jobs Initiative would be established to help fund subsidized employment to low income parents with incomes below 200 percent of the Federal poverty level. This initiative would be funded by redirecting \$602 million from the regular TANF Contingency Fund. California never has received funding from the TANF Contingency Fund. However, the State and County created tens of thousands of subsidized jobs using the now expired TANF Emergency Contingency Fund, which was funded under the American Recovery and Reinvestment Act of 2009.

Preschool for All Initiative: Similar to last year, the President is proposing a new initiative to provide all low and moderate income four year-olds with high quality preschool education that would be funded by raising the Federal tax on cigarettes and other tobacco products.

Medicaid Primary Care Payment Increase: The ACA's Federal-funded Medicaid primary care payment increase would be extended for an additional year through December 31, 2015 at an estimated cost of \$5.4 billion.

Medicaid Home and Community-Based Waiver Services: The President proposes to add psychiatric residential treatment facilities to the list of qualified inpatient facilities, which would enable institutionalized children and youth in Medicaid to have access to home and community-based waiver services.

Psychotropic Medications for Children in Foster Care: A new five-year Medicaid demonstration program in collaboration with the Administration for Children and Families, would be established to provide states with performance-based incentive payments to improve care coordination and reduce the over-prescription of psychotropic medications to children in foster care.

Elder Justice Act: The President requests \$25 million for the Elder Justice Act program, which seeks to protect older adults from elderly abuse. This program was authorized by the ACA, but never has been funded.

Homeland Security Grants: Similar to last year, the President proposes to consolidate Federal Emergency Management Agency's state and local programs into a new National Preparedness Grant Program. The consolidated programs would include the State Homeland Security Grant Program and Urban Area Security Initiative Grant.

Budget Outlook

As indicated in the February 27, 2014 memorandum on the Federal Legislative Outlook for 2014, divided government and deep partisan differences greatly reduce the likelihood of major budget changes being enacted this year. Many of the President's major budget proposals, such as the Preschool for All Initiative, were made and rejected last year. Many Congressional Republicans also have responded to the President's Proposed FFY 2015 Budget by calling it "dead on arrival."

The FFY 2015 appropriations process will proceed faster than last year due to the bipartisan agreement that was reached late last year on the overall FFY 2015 discretionary spending cap of \$1.014 trillion. Last year, completion of FFY 2014 appropriations were delayed because Senate and House appropriators were using widely divergent spending caps to draft FFY 2014 appropriations bills. It, nevertheless, is far from certain that appropriations for FFY 2015 will be finalized before the current session of Congress ends. In the past four election years, Congress adjourned with unfinished appropriations bills that were left to the next incoming Congress.

We will continue to keep you advised.

WTF:RA
MR:MT:OR:ma

c: All Department Heads
Legislative Strategist